

## **Exhibit J**

## ***Proposed Toll and Fare Structure***

***Executive Session - August 19, 2011***

**THE PORT AUTHORITY OF NY & NJ**

Good Morning Commissioners. I appreciate the opportunity to present for your approval, a new toll and fare structure for our Tunnels, Bridges and PATH system.

## ***Current Environment***

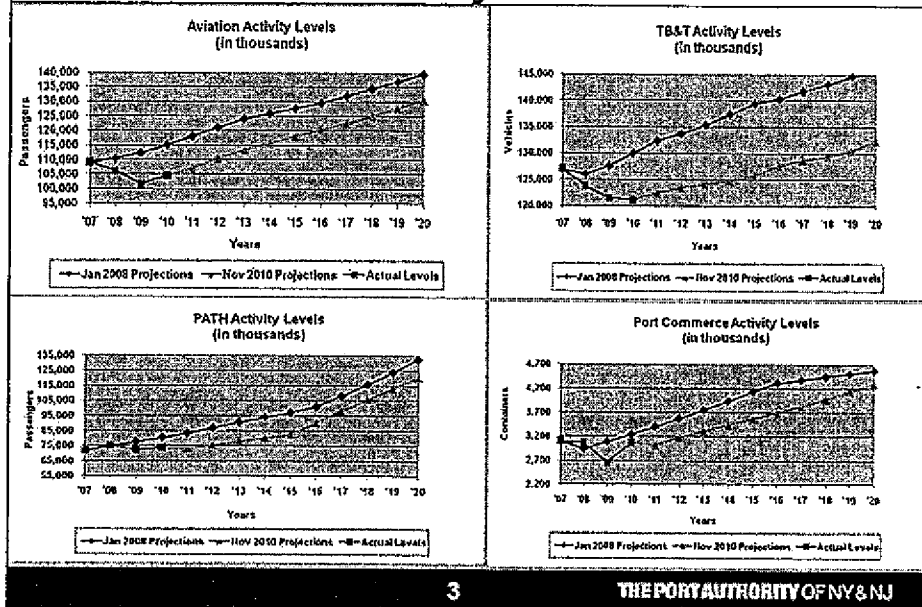
- **Historic economic recession:**
  - **Lost \$2.6 billion in projected net revenues**
- **Approximately \$6 billion in post 9/11 security costs**
- **More than \$11 billion to rebuild WTC site**
- **Aging facilities require largest overhaul in 90-year history**
- **Need to build modern facilities for future needs**

The historic economic recession has had a dramatic effect on the Port Authority as we have lost \$2.6 billion in net revenues from what was projected when we set the last ten-year capital plan in 2007.

Since 9/11, our annual and capital security costs have nearly tripled and we have spent approximately \$6 billion in security costs for our facilities. Finally, we are investing over \$11 billion to rebuild the World Trade Center site.

At the same time there is a need billions to overhaul our aging facilities, some of which are over 100 years old; and to build modern facilities for future needs.

## Activity Levels Down at Each Facility More of the Same Projected



Activity for 2011 is lower across all lines of business when compared to the 2008 forecast e.g.:

- Aviation levels are 10% lower
- Tunnel and Bridge traffic is 7.5% lower
- PATH passenger levels are 12% lower
- Port containers are 5.2% lower

Security Costs	
<b>\$6 Billion in Security Costs</b>	➤ Added over 300 uniformed police officers
	➤ Tunnel and bridges facility hardening and strengthening
	➤ PATH tunnel mitigation projects
	➤ Airport access controls
	➤ Port Commerce security identification system
	➤ World Trade Center vehicle security center

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Security costs totaled approximately \$6 billion since the September 11, 2011 attacks. When comparing 2011 to 2001, costs increased by 180%.

- Added over 300 uniformed police officers since 9/11.
- Tunnels and Bridges facility hardening and strengthening programs to increase safety and security at all of the Port Authority's vehicular crossings.
- PATH mitigation projects to increase tunnel security, longevity and operation capability, and to protect the integrity of the PATH tunnel system.
- Airport airside access controls to provide increased physical facility security and security bollard (hardened barriers) installations at all airports.
- Port Commerce security identification system to help ensure that only authorized individuals are able to access secure areas of the Port and implementation of a complete access control and closed-circuit television (CCTV) monitoring system to enhance overall port security.
- The World Trade Center Vehicle Security Center and Tour Bus Parking Facility (VSC) as part of the comprehensive WTC area police and security plan for vehicles entering the WTC site and its facilities.

## ***Managing in Economic Downturn***

- **3 years zero growth operating budgets**
  - Staffing levels lowest in 40 years
  - Reduced consulting services
  - Restructured programs, leveraged technology and streamlined business practices
- **Deferred capital spending**

The Port Authority started cost-cutting management measures going back to 2004. Since 2004, the Port Authority reduced non-public safety staffing levels by more than 700 positions, approximately 12%.

In addition, we have delivered 3 consecutive years of zero-growth operating budgets. To achieve these zero growth budgets we also restructured functions, leveraged technology and streamlined business practices and significantly reduced consultant services.

This constrained operating environment also required us to re-prioritize and defer millions of dollars in program capital spending.

## ***Toll & Fare Increase Proposal***

### **E-ZPass Toll**

	<u>9/18/11</u>	<u>12/1/12</u>	<u>12/1/13</u>	<u>12/1/14</u>	<u>12/1/15</u>
Car	\$1.50	\$.75	\$.75	\$.75	\$.75
Truck	\$2/axle	\$2/axle	\$2/axle	\$2/axle	\$2/axle

### **Cash Penalty**

	<u>9/18/11</u>	<u>12/1/12</u>	<u>12/1/13</u>	<u>12/1/14</u>	<u>12/1/15</u>
Car (rounding up)	\$2	\$2	\$2	\$2	\$2
Truck	\$3/axle	\$3/axle	\$3/axle	\$3/axle	\$3/axle

### **PATH**

	<u>9/18/11</u>	<u>10/1/12</u>	<u>10/1/13</u>	<u>10/1/14</u>
Path Fare	\$.25	\$.25	\$.25	\$.25

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In order to maintain and grow the critical transportation infrastructure that serves the bi-state region, the toll and fare increases are essential if the Port Authority is to have the financial capabilities necessary to drive this region forward.

As you can see, under this proposal, developed in consultation with governors Cuomo and Christie as can be seen on the screen, car tolls would be raised \$1.50 in September and \$.75 each December through 2015. Truck tolls would increase \$2 per axle in September and again each December until 2015. Cars and trucks not using E-Zpass would pay a penalty of \$2 per car and \$3 per truck axle. We believe this cash penalty will encourage drivers to move to E-Zpass, which in turn will reduce congestion at our bridges and tunnels.

Finally, PATH fares would increase \$.25 in September and again in each October 2012, 2013 and 2014.

Taken together, these increases, modified from the initial proposal put forward to the Board and public will assure our continued financial stability, which creates tens of thousands of jobs and improves our infrastructure.

## ***Hearings and Comment Opportunities***

- Nine public hearings held at the following locations:
  - Newark Liberty International Airport
  - Port Authority Technical Center
  - Port Ivory/Howland Hook
  - Port Authority Bus Terminal
  - George Washington Bridge Administration Building
  - Holland Tunnel Administration Building
  - George Washington Bridge Bus Station
  - John F. Kennedy International Airport
  - Online Hearing-Port Authority Website
- Added a public meeting in Staten Island at the request of the Staten Island community
- Comments also received via mail and the Port Authority Website
- Official transcripts of all hearings provided to Board of Commissioners

As you know, we held a record number of public hearings with record turnout at nine locations including one online. In addition, we received comments via mail and our website.

A public meeting was also added in Staten Island at the request of the Staten Island community

We heard many compelling stories from a broad spectrum of individuals across the region. We heard from those who oppose the plan and we heard from those who support the plan, including over 60 organizations, representing business, labor and environmental groups. Finally, our Governors provided us the guidance to reach today's proposal.

Again, these increases are imperative if we are to accomplish the much needed projects to advance the agency's infrastructure and economic growth mission.



## ***Capital Capacity***

- **\$25.1 billion of capital investment over 10 years**
  - Approximately 60% to be spent in the next 4 years
- **Address immediate critical infrastructure needs**
- **Allow Agency to meet financial statutory requirements**
- **Creates private sector jobs and economic opportunity**

This toll and fare increase will allow the Port Authority to invest \$25.1 billion in critical infrastructure projects that will provide an efficient, safe and secure transportation network for our customers who rely on this agency every day.

This will also allow the agency to access the capital markets while maintaining our strong credit ratings and meeting all of our statutory bond covenants.

This capital plan will also benefit the region by generating 131,000 jobs will be created, \$7.6 billion in wages and \$30 billion in sales.

**Key Ratios**

	<u>Additional Bonds Test Ratio</u>	<u>Current Coverage Ratio</u>	<u>Total Debt Coverage Ratio</u>
2011	1.72	2.04	3.92
2012	1.40	2.06	4.35
2013	1.50	2.08	4.52
2014	1.38	1.95	4.75
2015	1.41	1.94	4.43
2016	1.53	1.99	4.25
2017	1.50	1.92	4.23
2018	1.49	1.97	4.02
2019	1.58	1.77	3.89
2020	1.59	1.94	3.80

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These are three standard rating agency ratio evaluation metrics. The additional bond test must meet or exceed the statutory 1.30x limit.

The current coverage ratio is net operating revenues to debt service to operations. This ratio must exceed 1.4x.

Total debt coverage ratio is total debt to gross operating revenues. This ratio must not exceed 5.0x.

## ***Tunnels, Bridges & Terminals***

Provides massive investment to preserving facilities, some over 85 years old, which are presently used by 120 million vehicles and 3 million bus movements each year, and builds new facilities supporting future demand.

- Raising Bayonne Bridge roadway
- Replacing Goethals Bridge
- Replacing George Washington Bridge suspender ropes
- Reconstructing Lincoln Tunnel helix
- Rehabilitating roads, decks and ventilation systems

**Benefits:** accommodates megaships, rehabilitates miles of roads and decks, and vital ventilation systems

## ***PATH***

Investments rebuild and add capacity to key transit system linking the states, over 100 years old and serving nearly 74 million passengers surpassing pre 9/11 levels.

- Station improvement program and 10 car platforms for the Newark-WTC service
- New car purchases
- Signal system replacement program
- Upgrading and replacing power systems
- Enhancing security systems:
  - Water management system
  - New electrical duct banks,
  - Structural improvements
  - Tunnel erosion protection

**Benefits: provides more timely, comfortable and reliable system**

## ***Aviation***

Redevelopment of one of the busiest airport networks in the world, serving over 100 million passengers, transporting over 2 million tons of cargo and supporting over 455,000 jobs in the region annually.

- Replacement or rehabilitation of runways and taxiways
- Rehabilitation and overhaul of AirTrain
- Upgrading utilities and power systems
- Improving airport airside access controls for increased physical facility security and installing security bollards to protect tenant terminal frontages

**Benefits:** maintains 285 miles of roadway, taxiways and runways, reduces delays, accommodates larger aircraft and ensures FAA compliance

## ***Port Commerce***

Maintains competitiveness of region's link to global markets by providing for megaships of the future and direct links from docks to rails for over 3 million containers handled annually.

- Terminal redevelopment
- Major replacement or rehabilitation of piers, berths and wharfs
- Expanding and enhancing capacity on ExpressRail and roadways
- Ensuring only authorized individuals can access secure areas of the port

Benefits: more efficient movement of goods and maintains competitiveness

## ***World Trade Center***

**Complete rebuilding World Trade Center site**

- Secure state-of-the-art office and retail complex
- Multi-modal transportation hub for commuters
- 9/11 memorial infrastructure
- Vehicle security center
- Site infrastructure

**Benefits: multi-purpose public and commercial development**

## ***Request For Approval***

- ***Required to meet critical facility needs now and in the future***
- ***Region depends on us for the safe and efficient movement of goods and people***
- ***Over the next 4 years the Port Authority will fund approximately \$15 billion in capital spending helping stimulate the regional economy***
- ***Over the next 10 years 131,000 jobs will be created, \$7.6 billion in wages generated and \$30 billion in sales***

Commissioners, we recognize the difficulty of deciding to raise tolls and fares at this time. However, it is required to meet critical facility needs now as well as in the future.

The region depends on us for moving goods and people safely and reliably. Over the next 4 years, the Port Authority needs to fund approximately \$15 billion in capital spending.

Over the next 10 years 131,000 new jobs will be created, \$7.6 billion in wages will be generated and \$30 billion in sales by our capital investments.

Commissioners, I request your approval of these items.